

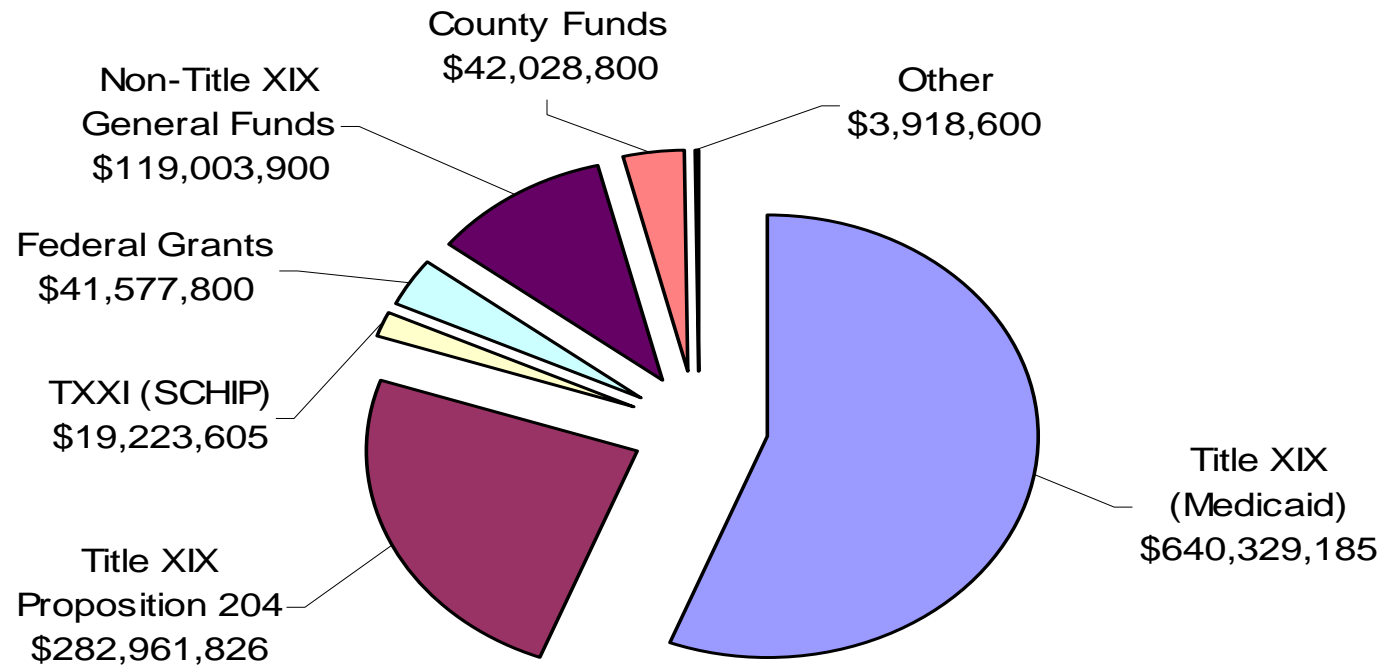
ADHS/DBHS Presentation for
Joint Meeting of
**Senate Committee on Healthcare and
Medical Liability Reform**
and
**House Committee on Health and
Human Services**

Laura Nelson, M.D.
Acting Deputy Director
ADHS/DBHS
February 4, 2009

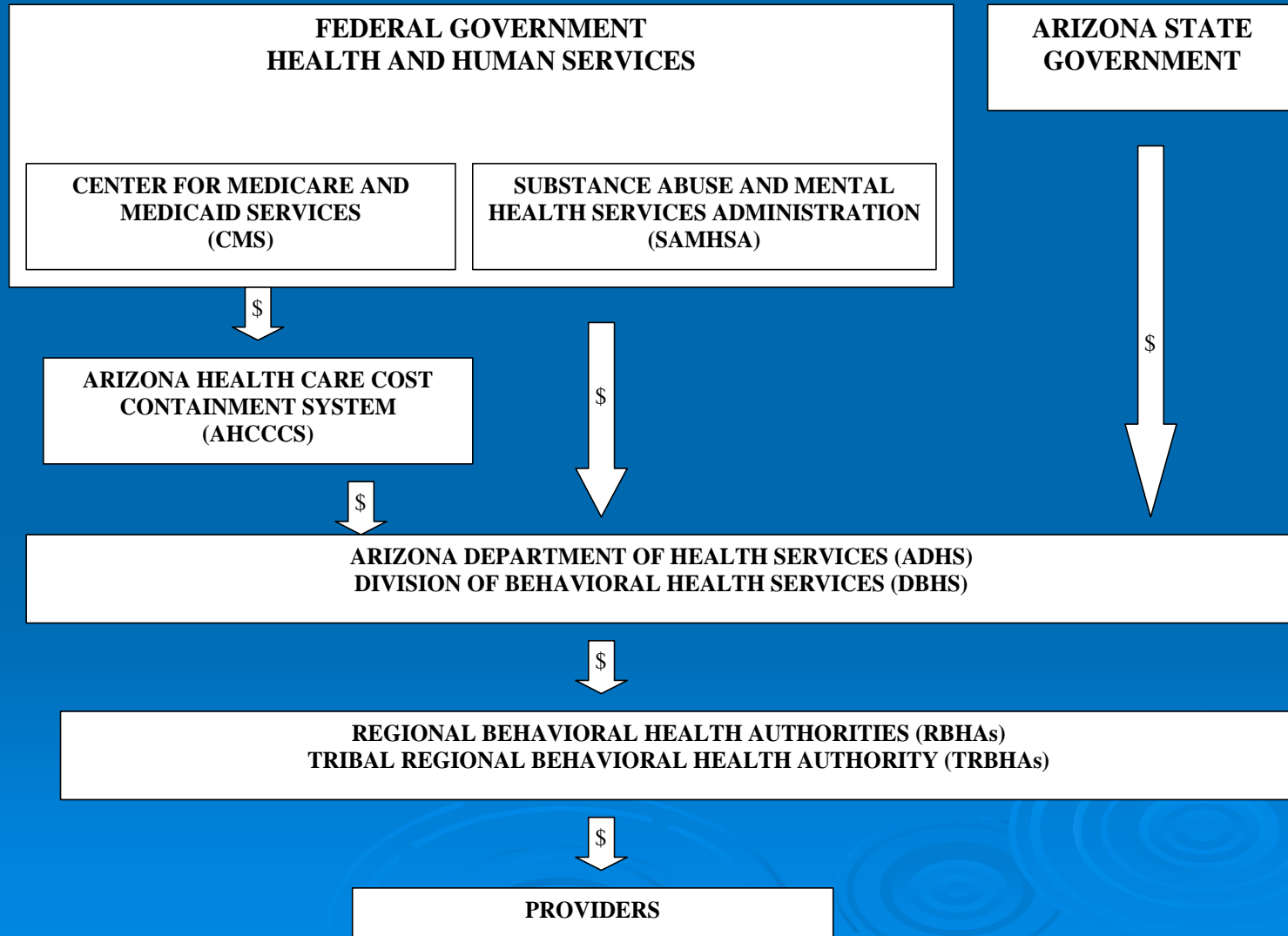
Arizona Department of Health Services/ Division of Behavioral Health Services (ADHS/DBHS)

- Administers unified statewide behavioral health service delivery system
- Required by statute to contract with Tribal and Regional Behavioral Health Authorities (T/RBHAs) to coordinate service delivery in six geographic service areas statewide
- Provides services to both federally eligible (Title XIX and Title XXI of the Social Security Act) and State-only populations
- No direct services except at the Arizona State Hospital

Behavioral Health Funding - 2008



Division of Behavioral Health Services Funding Stream



Enrolled Population – Nov. 2008

Populations	AHCCCS Eligible	AHCCCS Enrolled	State-Only Enrolled	Total Enrolled
Children	548,469	36,887	5,699	42,586
Adult-GMH	460,059 (combined)	39,355	17,968	57,323
Adult –SA		11,914	8,183	20,097
Adult -SMI		22,078	15,219	37,297
Total	1,008,528	110,234	47,069	157,303

DBHS Chronology of Key Events 1980's - 2007

- System evolution
- Arnold vs. Sarn
- Noteworthy events
- Auditor General Reviews

Legislature enacts ARS 36-550-550.08; to establish “a statewide system of residential services and adequate treatment for the seriously mentally ill in the least restrictive environment.”

1980

Behavioral health services are provided through an **Administrative entity** system

1981

Arnold vs. Sarn lawsuit filed

1983-84

1986

Legislation creates ADHS/Division of Behavioral Health Services; responsible for administering unified mental health programs including Arizona State Hospital, community mental health programs and substance abuse programs

Arnold vs. Sarn judge enters final judgment and orders ADHS and the County to “provide a unified and cohesive system of community mental health care” for the plaintiff class; **State appeals** to Arizona Supreme Court

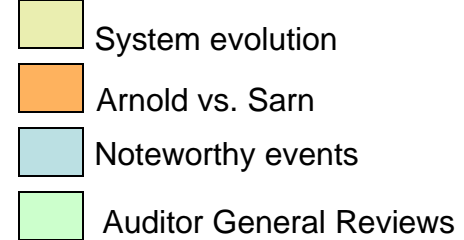
Supreme Court rules for Plaintiffs; State has a mandatory non-discretionary duty to provide community based mental health services to persons with serious mental illness

Auditor General's (OAG) Performance Audit
Establish a state-run behavioral health program that **integrates State and county behavioral health programs**

1989

DBHS Chronology of Key Events

1980's - 2007



AHCCCS added behavioral health services to Medicaid benefit package; implementation in July 1993

Parties negotiated the **Implementation Plan (Blueprint)** to comply with court judgment; full compliance expected by 1995

The Maricopa County RBHA, **ComCare** has **severe financial problems** forcing ADHS to become involved in its day to day operations

1991

1992

1993

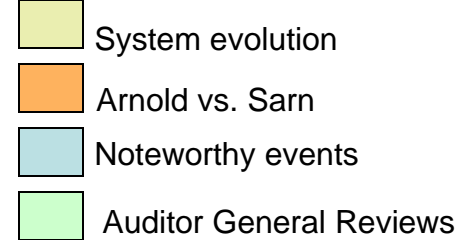
OAG Special Study (Admin. Entity System)

- **Recognized financial needs to meet Blueprint requirements**
- In future SMI contracts, restrict the use of expended funds to ensure they are spent for the purpose originally intended
- Develop **uniform accounting and reporting guidelines** that require more detailed reporting of program expenditures

Legislation creates Regional Behavioral Health Authorities (RBHAs); and provide ADHS with authority to **contract with AHCCCS** to administer Medicaid funded behavioral health services; **Managed Care system replaces fee-for-service**

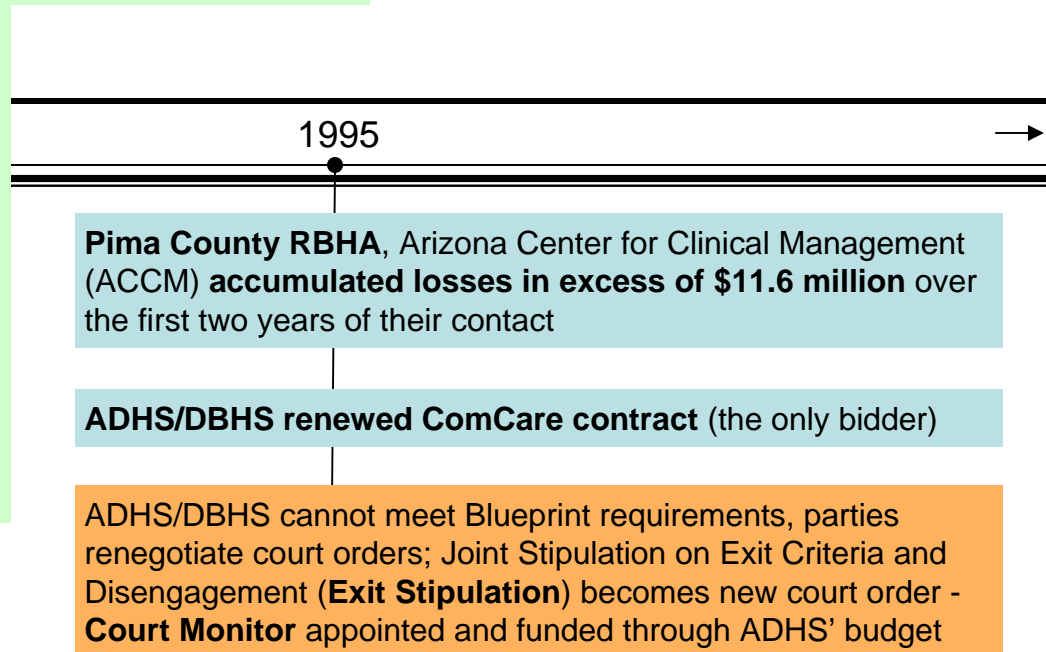
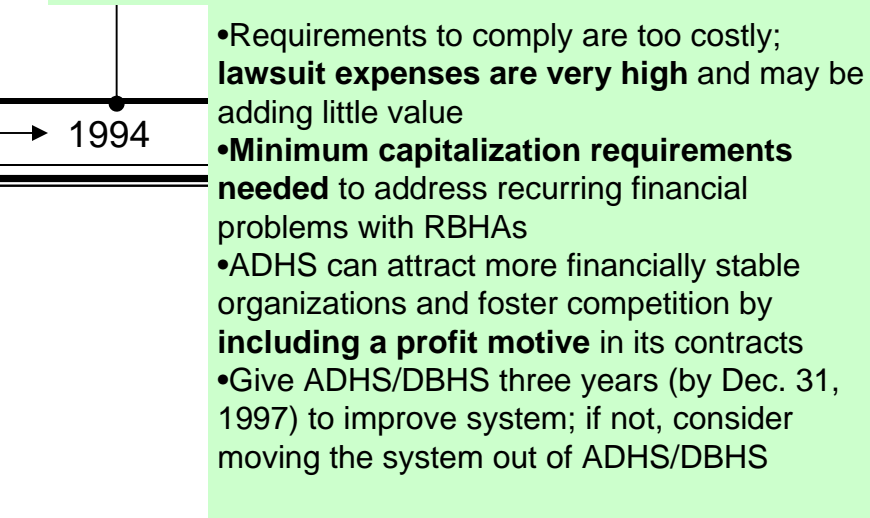
DBHS Chronology of Key Events

1980's - 2007



OAG Performance Audit

- **Amend statutes and end the lawsuit**; ADHS, not the court, should direct the system
- **State lacks resources** estimated to be almost \$100 million annually to satisfy court orders
- Court orders establish a **“Cadillac” system of care**; no one believes ADHS can meet the Blueprint requirements by September 30, 1995; **some believe ADHS can never comply**
- Extensive court and **Plaintiffs’ counsel involvement in day-to-day operations**; Significant amount of staff time spent **responding to Plaintiffs’ concerns tends to keep ADHS in crisis mode**



DBHS Chronology of Key Events

1980's - 2007

- System evolution
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OAG Performance Audit

- Four barriers to RBHA competition:
 - **Rapid dramatic reform described as “dizzying”**
 - Perception of lower profits
 - **Requirements in lawsuit**
 - Financial losses incurred
- Consider profit/loss **“risk corridor”**
- **Allow for-profit** organizations to bid on RBHA contracts

Court Monitor's Independent Case Review

- Findings not favorable and Plaintiffs threatened enforcement action
- **To avoid litigation**, the parties negotiated the **Supplemental Agreement**
- Court Monitor required to conduct annual audits
- Required ADHS/DBHS to hire consultant to assess costs needed to comply with court orders (**Leff Report**)
- “Leff Report” (HSRI) found that in Maricopa County **the cost to comply with court orders in 1999 would be \$317 million**; funding that year was only \$88 million
- Required ADHS/DBHS to implement strategic plans for vocational support services, housing and case management and clinical team services.

1996

1997

1998

1999

ADHS/DBHS Operates the RBHA (ComCare)

- ComCare projected a \$25m operating deficit for Fiscal Year 1998
- ADHS/DBHS sought and obtained a gubernatorial declaration of emergency in the behavioral health care system
- ComCare responded by filing for bankruptcy
- On September 7, 1997, the bankruptcy matter was settled allowing the **Department to officially operate ComCare**
- ADHS began RFP process for Maricopa County

ValueOptions awarded Maricopa County RBHA contract

DBHS Chronology of Key Events

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OAG Performance Audit

- Continue efforts to strengthen quality management area.
- Incorporate findings related to service gaps in future RFPs and contracts.
- Watch waiting lists and availability of services.
- Watch the RBHA's progress in implementing corrective actions..
- Legislature should establish funding priorities for the use of non-Medicaid monies**; ADHS/DBHS should revise its funding allocation formula to reflect these goals.

ADHS/DBHS expands service array in **Covered Services Guide**

1999 cont'd

2000

2001

Legislature appropriated \$42 million in one-time funding for services to persons with serious mental illness; used over a four year period, to provide **housing, vocational rehabilitation** and **intensive case management** services.

Governor was joined as a Defendant (Plaintiffs claimed Governor not doing enough to increase funding)

Proposition 204

- Funding increases from \$88m to \$257m (Leff report \$317m)
- **Counties** get statutes repealed; **no longer responsible for indigent health care**

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Court Monitor Audit

- First since 1998
- Scores are lower than in 1998 audit
- ADHS developed court approved remedial plan: extensive training, mentoring, ISP development, and increased service capacity
- ADHS also agreed to a series of “end dates” with a **final “end date” by 2008**
- Leff report updated** for inflation and enrollment; \$570m needed to comply with court orders

2004

Stipulation on Completion Dates

- Required parties to reach agreement on compliance measures for all non-Appendix C Exit Stipulation terms
- Required ADHS budget requests to **meet the original Leff target and seek increases in subsequent years.**
- Stipulation to Modify Completion Dates** was filed to extend 2005 compliance deadlines.

Motion for Disengagement and Partial Satisfaction of Judgment

ADHS relieved of responsibility for 17 separate provisions in the Exit Stipulation and Supplemental Agreement.

2005





ADHS/DBHS awarded RBHA contracts outside of Maricopa County to Cenpatico, NARBHA and CPSA

Court Monitor's Audit

- Shows some improvements for assessments and ISPs. but scores were below court ordered targets.
- Plaintiffs filed a **Motion for Noncompliance and Further Remedial Orders** asking the court to order ADHS to provide more services to more class members at a faster pace or suffer monetary and other sanctions.
- ADHS opposed Plaintiffs Motion; questioned validity of audit process and requested evidentiary hearing
- To avoid litigation, the Parties agreed to a **Stipulation Re: Network Plan** and **Stipulation Re: Completion Dates**

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Court Ordered Briefs

- Court asked the Department to submit a written response to questions related to workforce deployment, budget, contracts and provider monitoring.
- ADHS submitted **Answers to Court's Questions**.
- Court issued a minute entry questioning whether ADHS believed it could avoid responsibility for compliance with court orders by delegating functions to the RBHA. The Court asked the parties to brief that issue as well as remedies that could be imposed should the Court find ADHS in contempt. ADHS submitted its **Brief in Response to the Court's Questions**.

→ 2006 →

ADHS/DBHA issues Maricopa County RBHA RFP

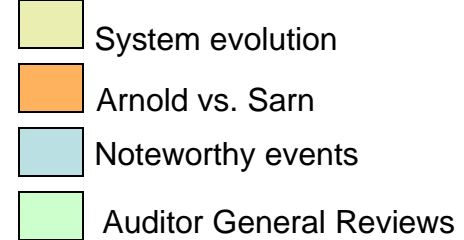
- Is considered a **major system overhaul**
- Removed the inherent conflict of having the RBHA as both the managed care entity and the service provider itself

Court Rejects ADHS/DBHS' Proposal to Increase Housing

- On recommendation of Court Monitor, court refuses to modify court order limiting residential programs to 8 or 25% (Rule of 8); only 21 class members can reside in property that could house 56

DBHS Chronology of Key Events

1980's - 2007



OAG's Special Audit

- ADHS should **focus on outcomes**, not process
- Court Monitor's annual review is not designed to measure a person's progress toward recovery outcomes over time
- One expert said the **rigidity of the requirements has stymied the system in its efforts to improve**
- Auditors found that progress made in some areas is not necessarily recognized by existing review mechanisms
- ADHS should **consider renegotiating court orders**

2006

2007

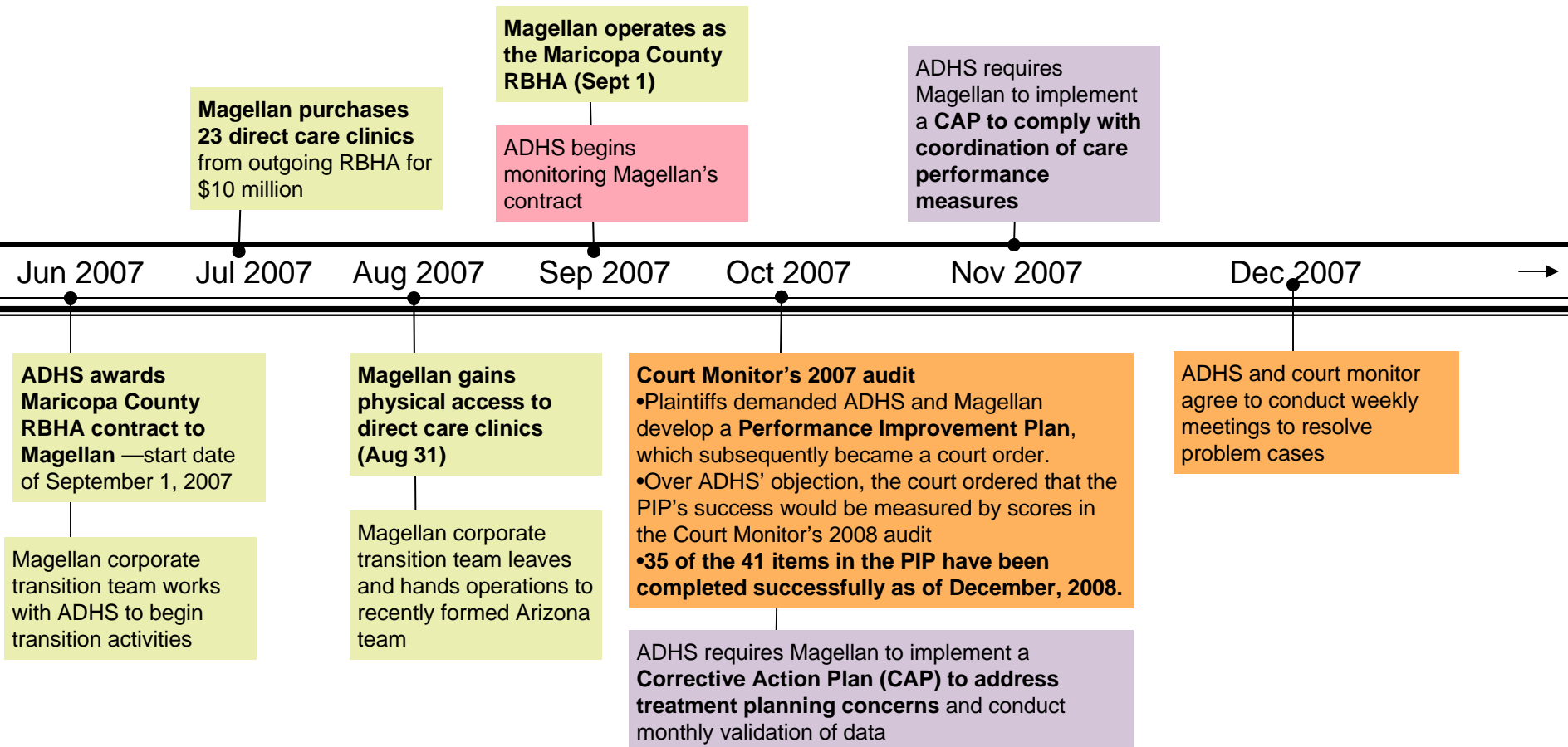
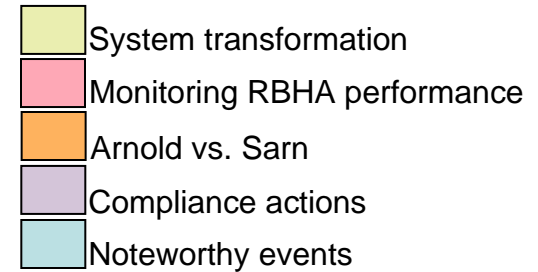
Maricopa County contract awarded to Magellan

System Transformation

Pre-2007 Contract	2007 Contract
Conflict as service provider plus oversight entity	Oversight entity only (services delivered through Provider Network Organizations)
No choice for service delivery provider	Choice of 2 (or more) Provider Network Organizations
No competition among service delivery providers	Competition among service delivery providers
No statutory prohibition on service provider functioning as a managed care entity	Statutory requirement to separate service delivery from managed care entity per A.R.S. 36-3410(C) (9/1/09)

Maricopa County Key Events Timeline

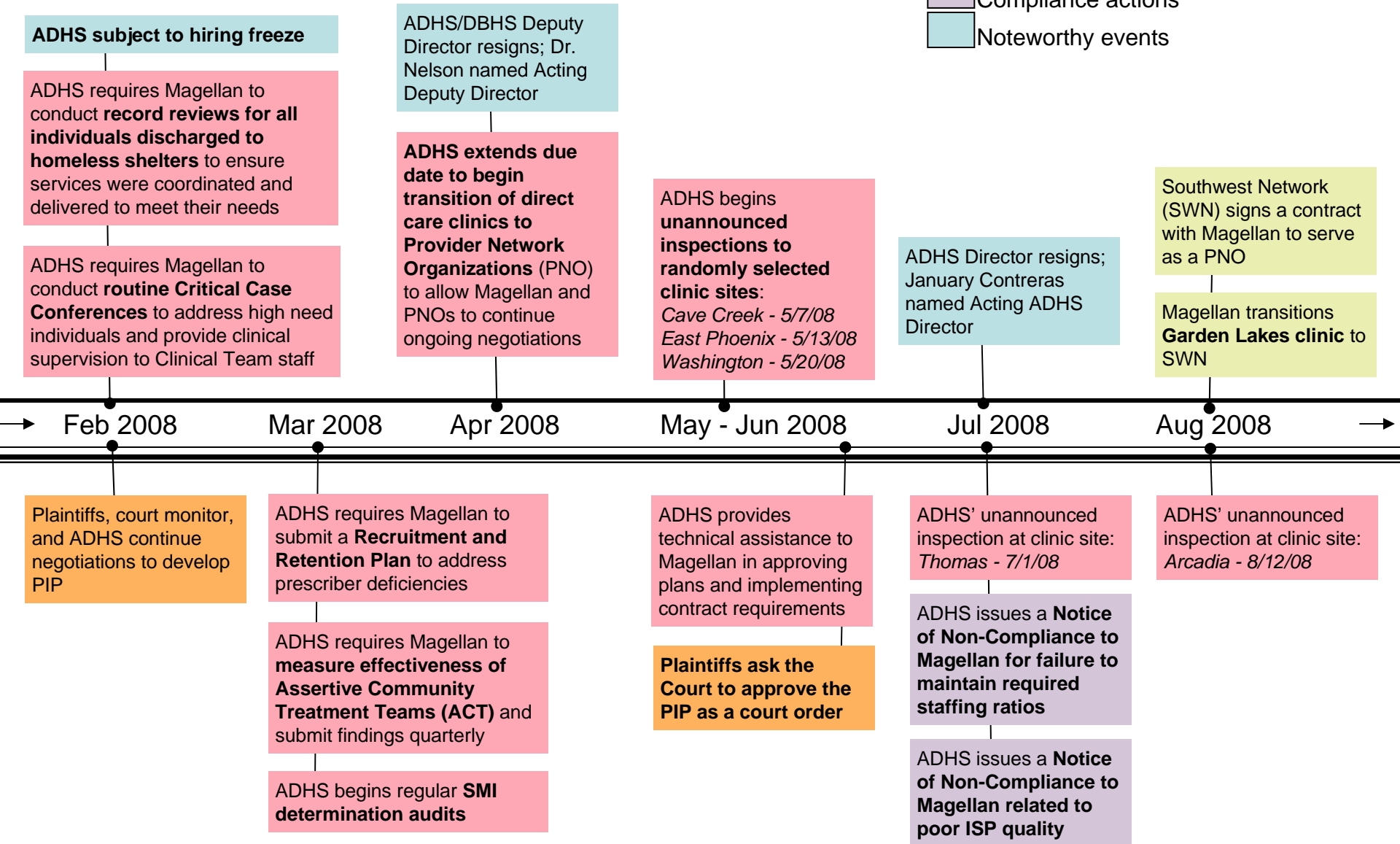
June 2007—February 2009



Maricopa County Key Events Timeline

June 2007—February 2009

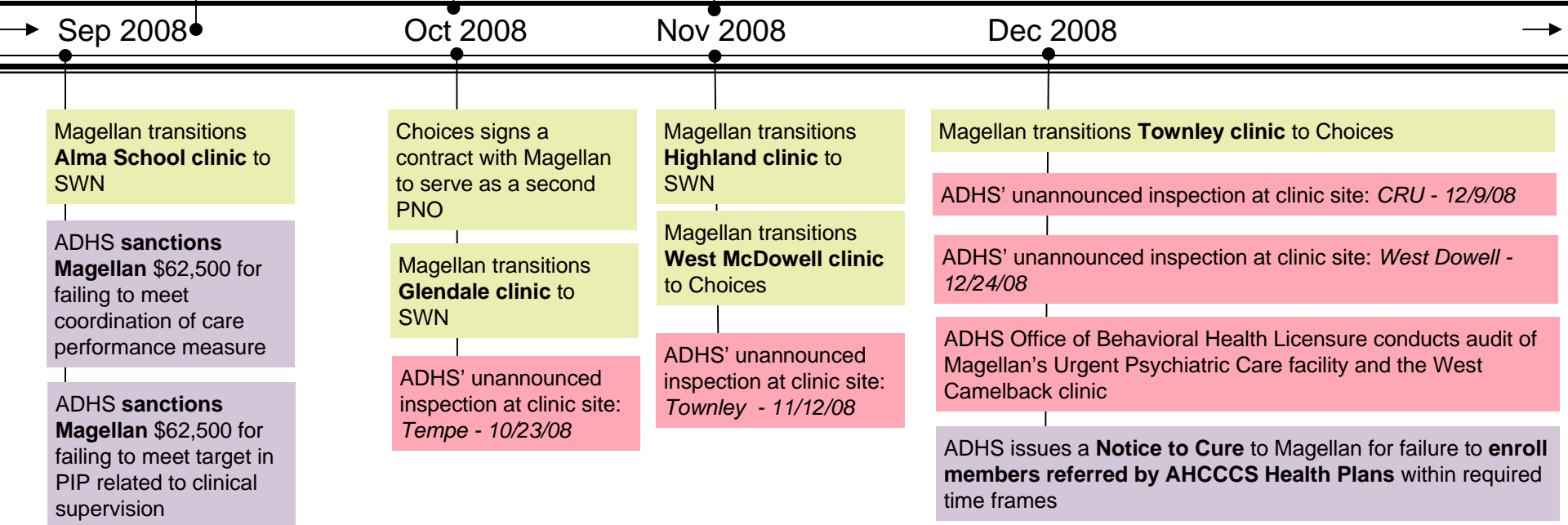
- System transformation
- Monitoring RBHA performance
- Arnold vs. Sarn
- Compliance actions
- Noteworthy events



Maricopa County Key Events Timeline

June 2007—February 2009

- System transformation
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Dr. Chris Carson resigns as Magellan CEO; Dr. Richard Clarke is named Magellan CEO

ADHS requires Magellan to implement a **Transformation Performance Improvement Plan (TPIP)** that, among other things, compels Magellan to change clinic environments to be more welcoming, friendly and recovery focused

ADHS **sanctions Magellan** \$30,000 for failing to meet contractual requirement to develop unmet needs database

Governor orders ADHS to limit discretionary spending to offset declining revenues and address possible cuts

Court Monitor conducts annual audit

ADHS requires Magellan to conduct an analysis to address high staff turnover rates

Magellan transitions **Osborn clinic** to SWN

ADHS requires Magellan to implement a **CAP for failure to meet contractual requirement related to grievance and appeals**

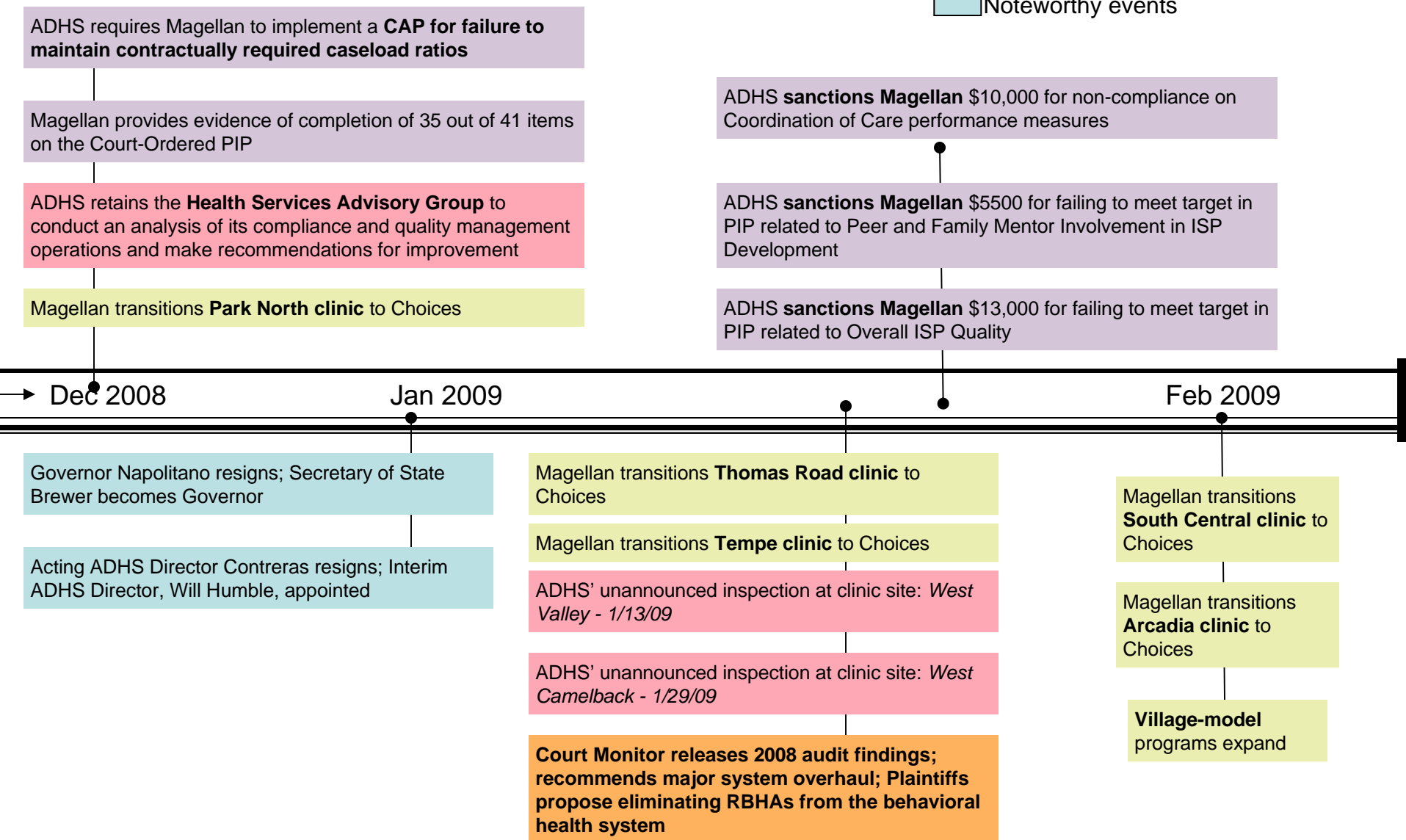
ADHS begins bi-weekly Medical Directors' meetings with Magellan's CEO

Magellan transitions **Heatherbrae clinic** to Choices

Maricopa County Key Events Timeline

June 2007—February 2009

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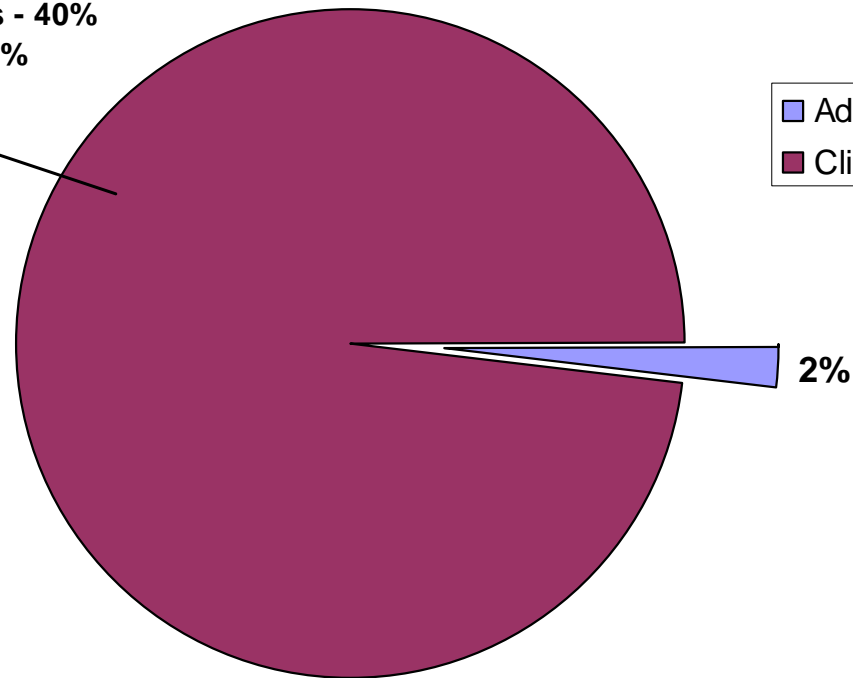


Where is the money going?

**Maricopa SMI Services
Magellan 2008 Audited Statements**

Patient Recovery Services - 40%
Rehabilitation Services - 8%

98%



Where is the money going?

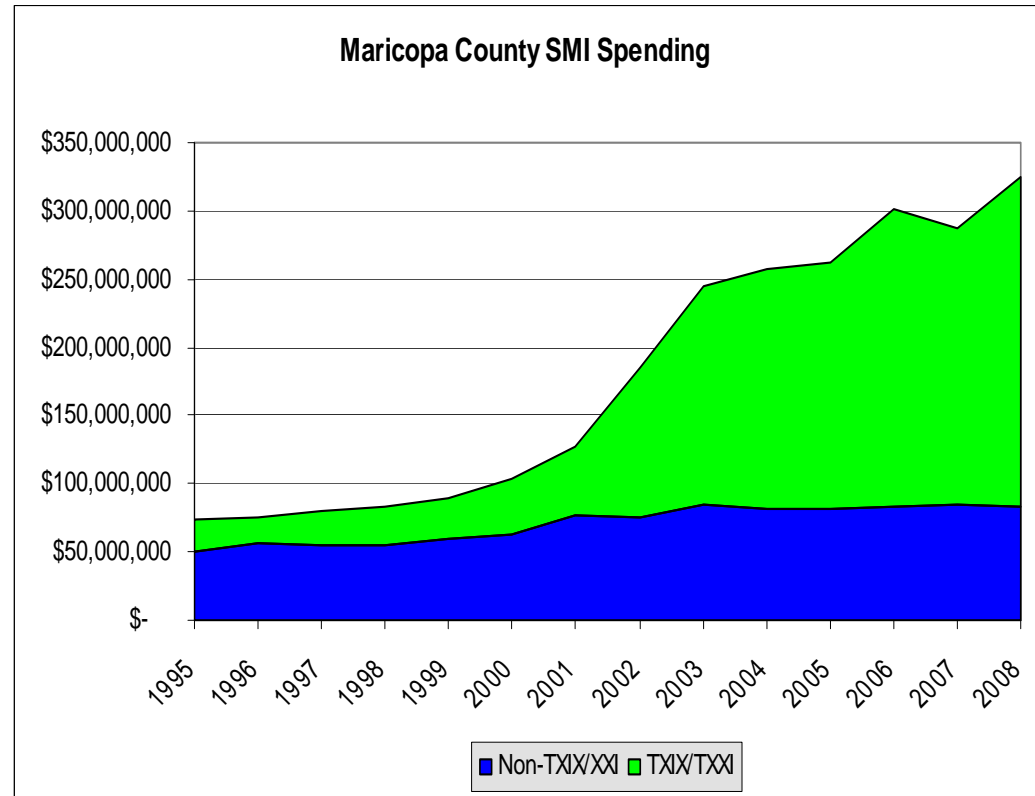
- Support Services (40%)
 - Case Management
 - Personal Care
 - Family Support
 - Peer Support
 - Respite
 - Supported housing
 - Transportation
- Rehabilitation Services (8%)
 - Living skills training
 - Health promotion
 - Supported employment

FY08 Profit/Loss

- The RBHAs are not guaranteed a profit.
- ADHS/DBHS built into its contracts with both non-profit and for profit companies financial risk sharing.
- In FY 08, the Maricopa County RBHA had the lowest gross profit margin among all RBHAs (for-profit and non-profit).
- The outlook looks similar for the Maricopa County RBHA in FY09. As of November 30, 2008, its gross profit margins were 0.1%.

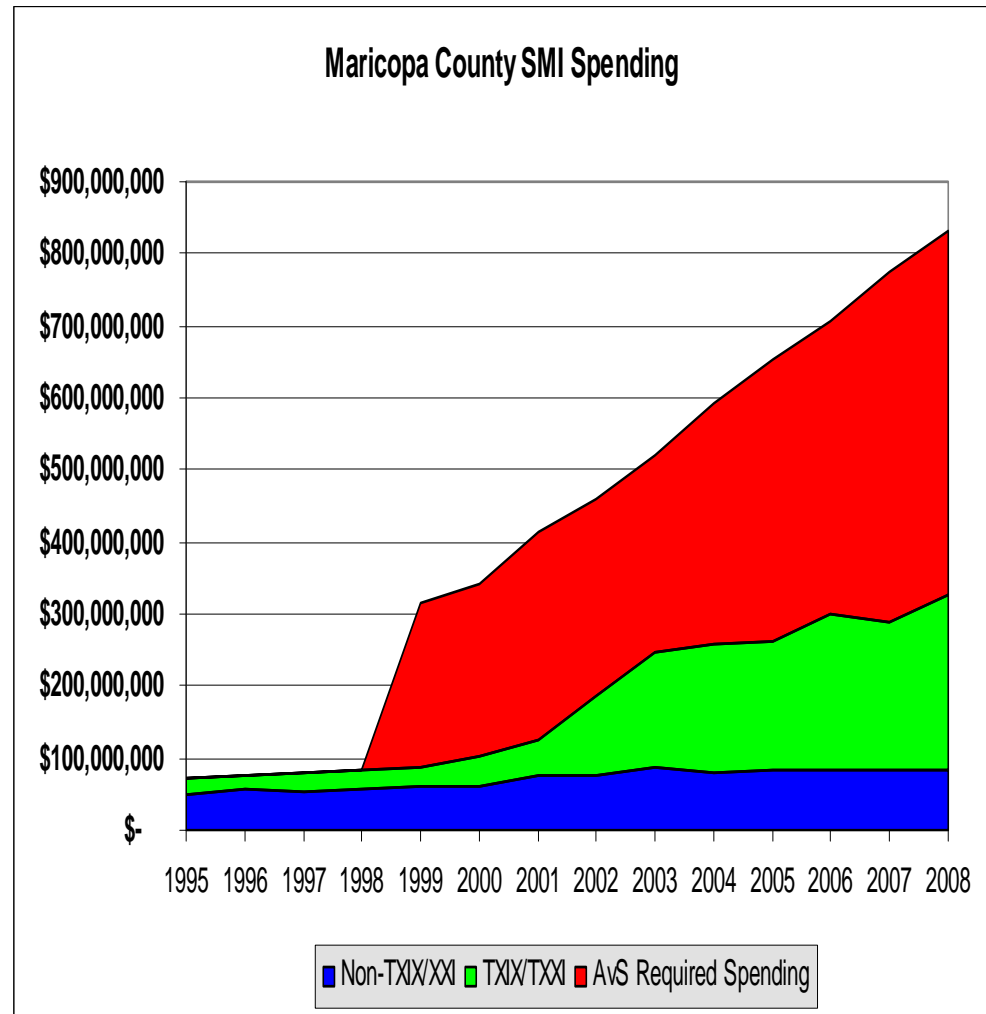
Funding Maricopa County SMI

Arizona has made tremendous progress in increasing Medicaid funding for behavioral health services so that today we have met the original Leff Report target. In contrast, state only appropriations have remained flat since 1995.

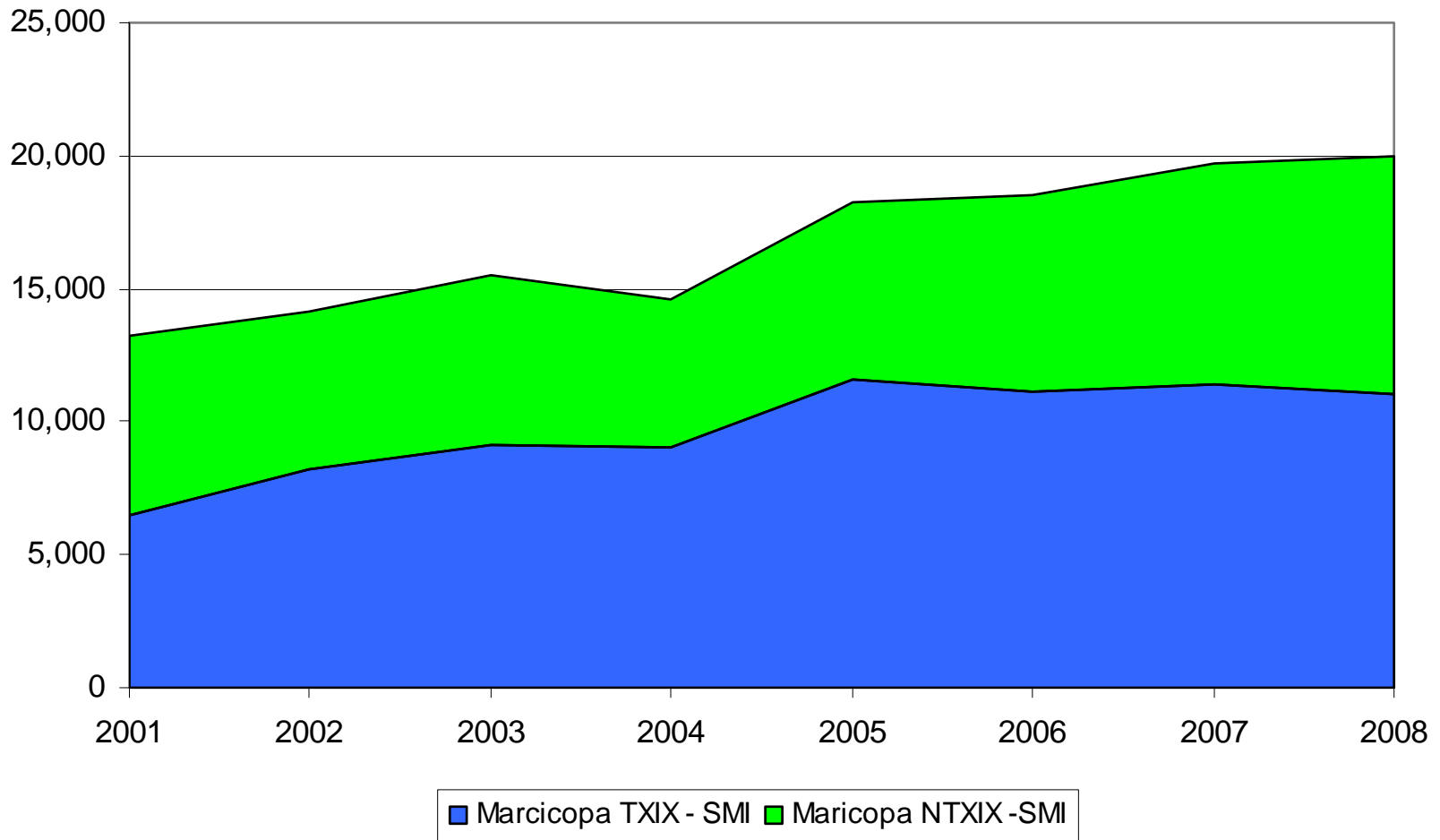


Funding Maricopa County SMI

In 2008, ADHS adjusted the Leff report for inflation and growth and determined in excess of \$800,000,000 is needed to comply with court orders



SMI Enrollment trends in Maricopa County



What services have been expanded over the course of the lawsuit?

- **Peer Support**
 - >480 peer support staff and >50 family support staff
 - 14 Community Service Agencies, 5 are peer-operated, 33 locations
- **Housing**
 - 182% increase in housing; ~2100 individuals to ~6100 individuals
 - plus supportive services, rent subsidies
 - Closing of Supervisory Care Homes; hundreds assisted with alternative housing
- **Vocational Rehabilitation**
 - employment specialists
 - partnership with RSA
 - 25% SMI competitively employed (highest statewide)
- **ACT teams**
 - 19 teams
 - serving ~1500 individuals
- **Dramatic decreases in State Hospital census**
 - since Sept. 2005, census consistently <55